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By email only

Consultation on Data Assurance Guidance (DAG)

Dear Paul,

Thank you for the opportunity to respond to the above consultation dated 17 December 2014. I am responding on behalf of the fourteen electricity distribution licensees that are Distribution Services Providers plus the two Transmission Operators in Scotland. This response is not confidential and can be published on the Ofgem website.

Having worked with network operators over the last two years to support the introduction of the DAG, Ofgem should be aware that licensees support the general principles that the DAG has set out to achieve. However, we are concerned that the detailed implementation of the DAG has left some of these principles behind and become too mechanistic. We are disappointed that the quality of the DAG issued for consultation was not of the standard we expected and at this late stage there are a number of significant points that remain outstanding plus substantial detailed feedback that Ofgem will need to act on.

Both these significant points and our detailed feedback on the Data Assurance Guidance and templates are set out in the Appendices to this letter. Given the timescales to DAG implementation, processing these will be an administrative challenge but we do not believe that rectification of any of the points we identify would result in any deviation from Ofgem's stated policy intent in this area.

The licensees that are signatories to this letter feel that it is vital that they are given the opportunity to discuss their feedback with Ofgem and to review the updated DAG documents prior to the modifications being made and look forward to understanding the timetable to achieve this.

I hope the above and attached provide constructive feedback as part of the work to introduce the DAG.

Yours sincerely,



David Smith
Chief Executive

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Sarah Walls, ENWL

John France and Tony Sharp, Northern Powergrid

Susan Bradshaw, SP Energy Networks (SPD, SPMW, SPT)

Andrew Wright, SSEPD

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Appendix 1 Significant Points

A Data Assurance Guidance

1 Material issues with Submission Lists (Appendices 1a and 1d)

It is Ofgem's stated intent to have a consistent framework across all sectors, but there are inconsistencies across the Electricity Submission Lists – Appendices 1a (ET) and 1d (ED). Examples of these include:

- a. A precedent has been set by Ofgem for the treatment of the RRP tables being rolled-up into workbooks - for ED all RRP tables are rolled-up into six workbooks and for ET a Revenue workbook has been created, but the remaining tables in ET have been listed individually. This significantly alters the obligation for Transmission licensees, creating an imbalance. Ofgem should require licensees to undertake risk assessment and report at workbook level, allowing licensees to take into account the interaction between the various tables in their assessment.
- b. Submissions being included on one list and not the other (e.g. Directors' Remuneration, Business Separation)

The RRP tables included in the Transmission appendix are not aligned to the new RIIO-T1 Regulatory Instructions and Guidance (RIGs) document, meaning we are required to risk-assess against a superseded list of tables and conduct assurance and report thereon on the new list. We propose the Transmission tables are rolled up into workbooks, aligned to the six categories detailed in the new RIIO-T1 RIGs document (Finance, Totex, Opex, Capex, Network Data and Outputs).

The Submission Lists – Appendices 1a (ET) and 1d (ED) contain incorrect submission dates. We suspect that this has arisen due to a spreadsheet linking error, for example:

- ET – invalid dates (e.g. 32nd July) or dates not completed for some returns
- ED – incorrect dates for all except one return

The Irregular submission list for DNOs needs updating for submission timings in the RIIO-ED1 licence and handbook; for example a substantial number of the close-out submissions are now not expected until 2016-17, following change in the handbook and should be removed from the 2015-16 list.

Further specific points regarding the above are detailed in 'Detailed points on the Risk Assessment Template' in Appendix 2.

Licensees identified the existence of issues with these appendices to Ofgem on the day that the consultation was issued and are very disappointed that no corrected versions have been issued. Ofgem must urgently issue licensees with a corrected version for use in 2 March submissions.

2 Clarity required on which versions of RIG documents are to be used for which submission

Appendix 1d (ED) is only valid for one year due to the move from DPCR5 to RIIO-ED1 and the consequential change in reporting requirements in the licence. We support Ofgem's approach of issuing this appendix to cover the 'transitional' reporting year as DPCR5 reporting concludes and RIIO-ED1 reporting commences. We look forward to working with Ofgem to update this list later this year.

During this 'transitional' year DNOs will be required to manage multiple 'live' versions of RIG documents. It would be helpful if the appendix could reference the clarification schedule that Ofgem will issue under the RIGs outlining which RIG versions are relevant for which submissions.

3 Scope of Irregular Submissions is unclear

We believe the scope of the DAG in respect of Irregular Submissions is unclear, there is little visibility of the submissions in scope and there is a drafting error that currently means all regulatory submissions are covered by the DAG as they become Irregular Submissions. The potential scope of the definition of Irregular Submissions is very broad. We recognise the need to take the assurance of all data provided to Ofgem very seriously, but are concerned that licensees may inadvertently breach the requirement under the DAG to submit an accompanying description of data assurance in the required format.

To obtain clarity and avoid anything being missed, we propose the following:

- a. A full list of irregular submissions per licence to be contained in the Appendices 1 (a,b,c,d).
- b. Paragraph 5.1 and the definition of Irregular Submission are amended to:

“An Irregular submission is one that is submitted by a licensee, listed on Appendix 1 (a,b,c,d) as an irregular submission or a formal data request issued by Ofgem [for example under SLC6 for DNOs] and stating that it falls within the scope of the DAG.”

Note: Points 5.1 a) to c) are no longer required.

- c. Paragraph 5.6 is deleted.

4 Inappropriate requirement to inform Ofgem of Material Errors found before data submission

Paragraph 4.12 states “material errors detected prior to NetDAR date to be reported in NetDAR”. This would require licensees to inform Ofgem of all material errors identified prior to submission of data, ie errors picked up as part of the assurance process. We believe this is inconsistent with the concept of an error being something wrong with what was submitted. We suspect that the intent of the drafting was to require licensees to inform Ofgem of material errors found in data that has already been submitted to Ofgem.

We believe the following amendment to paragraph 4.12, would resolve the issue:

“Licensees are required to report material errors detected post submission of data to Ofgem as soon as possible. Additionally, material errors detected post submission of data, up to the NetDAR submission date, must be reported in the NetDAR. Material errors are.....assessed. The NetDAR must also contain details of material errors in the following circumstances:

- a. the error...has been detected post submission of data [no change]
- b. the error was detected by control systems or procedures and corrected in the return prior to submission, but a similar error may not have been picked up in past submission(s).”

5 Risk assessment relies on understanding of Ofgem’s future comparative efficiency approach

The Impact scores used in the DAG risk assessment include assessment of the potential for data issues to distort future comparative efficiency analysis. It is not always clear to licensees how data will be used by Ofgem in future assessment processes.

To assist in selecting the appropriate option in the ‘Comparative Efficiency’ column (Table 2.1, column d), DNOs and TOs would require Ofgem to advise as to which submissions will be used in its future comparative efficiency analysis. If not supplied, there is a risk that DNOs and TOs interpret differently from Ofgem and as a result provide unexpected impact results.

6 Inappropriate inclusion of wider ‘risk appetite’ in DAG and NetDAR

We note the inclusion of the risk management term ‘risk appetite’ in both the DAG (Paragraph 4.6) and in the NetDAR template (Paragraph 1.2). Risk appetite is a very broad term and encompasses areas that are beyond regulatory reporting, such as safety risk, financial risk, etc.

Whilst we fully understand our companies' risk appetites, it is not appropriate to require descriptions of this in the narrower context of data assurance. We believe it would be more helpful to both Ofgem and licensees to focus only on assurance in relation to regulatory submissions. The DAG was never designed to cover this wider scope of risk management.

7 Risk scoring overstates risk score for irregular submissions

The risk scoring mechanism has been developed with regular submissions in mind. Accordingly, when used to assess an irregular submission, it has a tendency to overstate the risk. By way of example, licensees are required to look at whether the rule set has changed and if staff have had experience in submitting prior years' submissions. For an irregular submission, such as a reopener, such wording would overstate the risk of the return. Ofgem should be mindful of this and acknowledge that by their very nature irregular submission will score higher for likelihood of risk of error. It would be helpful for this to be reflected in the guidance document.

B Clarification Letter

1 Legal status of clarification letter needs to be clearer

Ofgem issued licensees with a Clarification Letter on 17 December 2014. It would be very helpful if Ofgem could clarify the legal status of this letter, and in particular whether this formally varies the requirements of the DAG for the first year of implementation. In a number of instances the clarification letter seems to vary the requirements of the DAG and it is important that licensees understand the legal status so that they can implement processes to comply with the DAG and with the intent of the letter.

2 Scope of Past Submissions for 2015 NetDAR submissions not as expected

The first submissions of NetDAR documents by licensees under the newly modified licences will be required on 1 April 2015 and it is important that licensees understand exactly what information is required of them relating to submissions that were made prior to licence modifications being made, both in the 2 March and 1 April 2015 submissions.

Our understanding of the agreement at Ofgem's last DAG working group was that for the first year, licensees would include in their Past Submissions Section an update on assurance work performed on submissions between 1 October 2014 and 28 February 2015 and this would be reflected in both the guidance and the Clarification Letter. Having reviewed these, we note the following:

- The Clarification Letter states that "licensees should provide an **update** on the activities identified in the trial NetDAR and should provide **additional commentary** to cover the assurance related to those or any other submissions made in the year commencing **1 March 2014**."

This is clearly a greater scope than was agreed at the last working group and we request Ofgem revise both the Clarification Letter and the DAG to reflect the agreement from the last working group.

We also propose the following changes to the DAG:

- Table 4.1 is updated to reflect the agreed position.
- The "Past Year" definition for 2015 in the DAG, incorrectly states reporting from March 2014 – using an example of a later year would be clearer and avoid the interaction of the trial.

3 Requirement for risk assessment of forecast data

In Section 4, Forecast Data – the Clarification Letter states "Companies should use their best endeavours to risk assess forecast data." We have explained the difficulties associated with assessing probability for forecast data but Ofgem has not acceded to the point by making a change to this in the DAG. This seems to be disproportionate in respect of DNO and TO obligations. Ofgem should clarify that it intended licensees to use their 'reasonable endeavours'

to risk assess forecast data and this should be set out in the DAG Guidance document which would then also align with the use of 'reasonable endeavours' elsewhere in the DAG Guidance document.

4 Logistical issues with 2015 submissions given extent of errors in DAG consultation

Licensees need clarity from Ofgem on which version of the guidance they should work from when producing the informal submission for 2 March 2015, bearing in mind the corrections and clarifications proposed in this response and the time needed to implement them. Ofgem must recognise that licensees are already working on the production of these submissions and are having to make assumptions about requirements due to issues with the drafting of this consultation. Ofgem will need to take this into account in assessing whether licensees have met the detailed requirements of the DAG.

In Section 5 of its letter, Ofgem refers to feedback being given between the informal submission (March 2015) and the formal submission (April 2015). Although we support the need for feedback from Ofgem as an essential part of the DAG process, we are mindful of the tight timescales and the requirement to submit the first formal NetDAR report on 1 April. Licensees will be severely limited in their ability to make any substantial updates to their NetDAR reports before the April submission due to the very limited time available.

Appendix 2 Detailed Points

1) Detailed points on the DAG

Section 1 of DAG document

- Paragraph 1.1 – the footer No.1 refers to the interchangeable use of “Authority”, “Ofgem”, “we” and “us”. As with any creature of the licence, the correct use of these terms is important such that the correct body (Ofgem or the Authority) is seen by the licensee and lay reader to be using the powers invested in it and are is not inadvertently acting ultra vires.
- Paragraph 1.2 – “Risk” in the second line can be in lower case as it is not the defined term
- Paragraph 1.3 – capitalise “Assurance” on the brackets of the first bullet
- Paragraph 1.5 – amend “..stakeholders of Licensees’ inaccurate reporting and misreporting..” to “..stakeholders of any potential inaccurate reporting and misreporting by Licensees..”
- Paragraph 1.6 – “data assurance activity” should be capitalised as it is a defined term
- Paragraph 1.6, 3rd bullet – replace “data assurance annexes” with “irregular submissions”
- Paragraph 1.11 – replace “within the DAG” with “within it”

Section 2 of DAG document

- Paragraph 2.3 confusingly defines risk in a different way to the definitions. Only one definition should be used and logically that should be in the definitions section. If there is a need to define it in paragraph 2.3 then it should be the same definition as that in the definitions section
- Paragraph 2.5, Impact Metric – the wording differs from that contained in the definition. We believe that the wording in the definition is more accurate and should be used here
- Paragraph 2.6 – replace “overall Risk” with “overall Total Risk Rating”
- Paragraph 2.9 – replace “would” with “could”
- Paragraph 2.9 – insert “⁹” after “worst-case scenario” as this is the first time the term is used
- Paragraph 2.13 – add wording to explain that the Risk Assessment Template conducts this calculation
- Paragraph 2.15, footnote 9 – requires licensees to assess whether the impact of an error is “greater than two standards deviations from the mean” which is too theoretical to be of real practical help in considering possible reporting errors.
- Table 2.1, Financial (c) – none of the options in this column include = 1% or =5% – we propose that 3c is changed to replace > or < with ≥ or ≤ respectively
- Table 2.1, Comparative Efficiency (d) – again none of the options in this column are clear on where = 1% or =5% are included – we propose 3d is changed from ‘error of between 1% - 5%’ to ‘error of between ≥ 1% and ≤ to 5%’
- Paragraph 2.22 – We believe the word ‘additional’ causes ambiguity and propose the following rewording of the paragraph: “I1 to I4 reflect the inherent (I) probability of error where no controls, other than general system controls, are used to reduce Risk.”
- Paragraph 2.29 – the reference to “process” should be changed to “probability”
- Table 2.2 – submissions automatically score 4 if they contain different types of data to be in the same table e.g. costs and volumes. Such items are not likely to be in the same system and therefore results in an artificially high score. Ofgem should be mindful of this and expect that risk scores for submissions containing both cost and volume data will tend to be high.
- Table 2.2 – the formatting of the footnotes on pages 13/14 is incorrect
- Table 2.2, footnote 16 – change “arros” to “errors”
- Table 2.2, I4 score 3 – the number 12 should not be in superscript
- Table 2.2, C1, Score 2 – suggest delete last option “regulatory submissions...” and footnote 24 as the risk assessment process is carried out ahead of regulatory submissions being reviewed
- Table 2.2, C3, Score 1 – suggest remove “by subsequent audits” as validations do not always require an audit

- Table 2.2, C1, Score 2 – suggest remove “and control points fully evaluated and assessed” and footnote 23 as this refers to an audit evaluation which is covered by column C3.
 - Please note however that for the last two changes in Table 2.2 listed above their implementation would need to be delayed to a future update of the DAG as licensees have already started work to create their NetDAR submissions for 2015 and it is therefore too late to update their submissions to cater for such a change.
- Paragraph 2.24 – amend wording in brackets to “(ie confidence in the business’s ability to prevent and detect errors)”
- Paragraph 2.25, bullet 1 – “Calculate the...” should be in a new bullet
- Paragraph 2.26 – replace “inherent Risk” with “inherent probability” (two changes required)
- Paragraph 2.31– remove capitalisation from “Risk”
- Paragraph 2.33 – remove “idea” from opening sentence as this could be misleading
- Paragraph 2.33, footnote 25 – the full stop before “Licensees” should be changed to a comma

Section 3 of DAG document

- Paragraph 3.1 – capitalise “internal” in respect of the Data Audit
- Paragraph 3.1 is missing a link at the start of the third line as it currently refers to “paragraph 0”. We believe this should be paragraph 3.4
- Paragraph 3.4 – change “provide an associated underlying activity audit” to “provide the associated Underlying Activity Audit”
- Paragraph 3.4 – change “over” to “in” in the third line
- Table 3.2, Internal and External Underlying Activity Audit – in the ‘What’ column finish the second sentence after “accurate” and remove the text “but to provide an independent challenge to the process to produce the submission” as these assurance activities are not linked to a submission.

Section 4 of DAG document

- Paragraph 4.1 – full stop after “1” in the first bullet can be removed
- Paragraph 4.1 – in the first bullet, “errors” should be “Material Errors”
- Paragraph 4.1 – remove ‘Risks’ after Licensee’s so wording reads ‘explains Licensee’s Risk scoring, Total ..’
- Paragraph 4.4 – a square bracketed question mark remains in the text, suggest remove
- Table 4.1 is generally done without reference to “st” “nd” or “rd” except in one instance which needs “th” removed for consistency
- Paragraph 4.6 – we suggest “Risk management strategies, its Risk appetite, and the” is removed from the second sentence as it should not form part of the DAG
- Paragraph 4.10 – this reference to an issues log is superfluous now the DAG is almost up and running and was only valid for the purposes of the trial, suggest remove
- Paragraph 4.11 – the second sentence (“Quality data will in all material respects be accurate complete and fairly presented”) does not fit in context nor does it add anything for the reader and we suggest this should be removed.
- Paragraph 4.11 – ‘significant revisions’ would benefit from a definition
- Paragraph 4.11 – ‘significant inaccuracies’ has not been used prior to this section. We suggest this is replaced by ‘material errors’

Section 5 of DAG document

- Paragraphs 5.5 & 5.7 – We believe that the reference to “Data Assurance annex” is a legacy from a previous draft of the DAG. We believe this should refer to the Irregular Submission Assurance Template.
- Paragraph 5.7 – amend to “Licensees should complete the current version of the Irregular Submission Assurance Template and submit alongside their Irregular Submissions.

Appendix 1 of DAG document

- See later in this appendix – Detailed points on Risk Assessment Template file

Appendix 2 of DAG document

- General point – the definitions should be thoroughly reviewed for instances of mis-capitalisation – both items that should be capitalised that are not and things that are that should not be
- General point – a note regarding singular and plural definitions being the same should be included
- Board and Board Sign-off – in both “Board” and “Board Sign-off” definitions the word “board” should be capitalised
- Chief Executive Officer – in “chief executive officer” requires to be capitalised
- DAG Reporting Year – the DAG Reporting Year example should have the final sentence removed and any use of a single year when referring to the DAG Reporting Year should be amended to show the two years, therefore (i.e. 2016 not 2015/16) should be replaced with (i.e. 2015/16)
- Data Assurance Activity – “Data Assurance Activity” appears to have two definitions
- Data Error – the inclusion of the sentence “Errors may be detected or undetected.” is confusing and should be removed
- Director – formatting of the Director term is missing a bullet
- Future Year – for 2016 onwards the end date of 28 (or 29) February should be documented
- Impact Metric Score – change “expected impact” to “potential impact”
- Internal Audit – the Internal Audit term is not defined in the ED1 version of the DAG Licence Condition
- Process Audit – the definition differs from the wording in Table 3.1, the wording in the definition should be aligned to the wording in the table
- Risk – remove “(s)” from impact(s) and replace “expectation” to “possibility”
- Risk Assessment – “their impact” on first line – capitalise ‘Impact’
- Risk Assessment – remove footnote 29 as the detail in this footnote does not relate to the quote
- Risk Assessment Template – this definition is confusing and we proposed a clearer replacement: “an excel spreadsheet that contains the DAG submissions lists per licence type and a summary table designed to capture assurance activity for past and future years as well as Impact Metric Score, Probability Metric Score and Total Risk Rating per submission.”

2) Detailed points in the Risk Assessment Template

Summary Table 3.4

- Summary table 3.4 – IU and EU state ‘Internal Underlying Activity Audit’ EU should say ‘External Underlying Activity Audit’ (cells AC10 & AQ10).

ET Submissions Tab

- We note that the TO list of returns contained blank submission dates and dates that did not exist (such as 32nd July). It is essential that this is corrected and shared with TOs in time for the 2015 submissions to be populated and assured.
- ET Submissions & ED Submissions - ‘Not Required’ column – we suggest the heading should be ‘Required by TO?’ and the formula changed so ‘No’ would ‘grey out’ the submission, to avoid licensees interpreting this as meaning they are not required to populate the column.
- SLC E2 ‘Offshore: Regulatory Accounts’ – in the required information change ‘licencee’ to ‘licensee’.
- RRP tables are listed individually and we propose the Transmission tables are rolled up into six workbooks as stated earlier, see Appendix 1, A Data Assurance Guidance, point 1. Significant Points. [This would align to the approach already applied to the T Revenue workbook.](#)
- Also mentioned earlier, the list of RRP tables (SLC B15) do not align with the new RIIO-T1 RIGs document which lists the RRP tables for 2014/15 e.g.
 - Transmission List - 1.1 Income Statement, 1.2 Financial Position, 1.3 Cash flow
 - New RIIO-T1 table list - 1.1 Financial Statements (which combines 1.1, 1.2, 1.3 above)

- Guidance is required on how we approach this in the NetDAR as the submission will not directly correlate to the risk assessments completed.
- Modifications we believe are required to the submission list;
 - a. We note there are some RRP tables that are not listed and reiterate our request to roll up tables into workbooks.
 - b. Amend the following:
 - i. SLC B15 Table 4.6 'SO Capex' – Licensee should be changed from 'All ETOs' to 'NGET'
 - ii. SLC B23 'Data Assurance Requirements' – naming is inconsistent with ED list where SLC 45 is listed as 'NetDAR'
 - iii. SpC 2J 'Network Access Policy' – states bi-annual, however as we only need to advise when a change arises we feel this should be moved to the 'irregular' section
 - iv. SpC 2M & 2M-B 'Network Replacement Outputs' – states that these are required once during the price control, therefore we feel these should be moved to the 'irregular' section
 - v. SLC B9 Indebtedness – change 'annual' to 'Ad Hoc'
 - vi. SpC 7D 'Arrangements for the recovery of SO Uncertain Costs' – change from 'All ETOs' to NGET
 - c. Remove the following:
 - i. SLC B15 'RIGs Narrative' – As this is RRP narrative and not a submission in its own right, we would not expect this to be on the list
 - ii. SLC B8 'Undertaking from Ultimate Controller – we do not agree this is a data submission and expect this to be removed/greyed out.

ED Submissions Tab

- We note that the DNO list of returns contained incorrect submission dates for the returns and all contained the '2nd week of May'. It is essential that this is corrected and shared with DNOs in time for the 2015 submissions to be populated and assured.
- We have identified instances where the 'Frequency' for the submission is incorrect and requires updated:
 - a. SLC 15A 'GSoP' - has been listed as 'annually' and should be 'quarterly' for the final DPCR5 submission and then annually.
 - b. SLC 45 'Monthly telephony return' - has been listed as 'annually' and should be 'monthly' for the final DPCR5 submission and then annually.
 - c. CRC8 'Broader Customer Measure' - has been listed as 'annually' and should be 'quarterly'.
- ET Submissions & ED Submissions – 'Not Required' column – we suggest the heading should be 'Required by DNO' and the formula changed so 'No' would 'grey out' the submission, to avoid licensees interpreting this as meaning they are not required to populate the column.
- A consistent approach is required in the 'Licence Condition' column to insert 'NA', as appropriate, against 'Future Submissions' where the submission is not required going forward.
- CRC8 'Broader Customer Measure' - should also include 'Past Submission' and 'Future Submission'. Past submission is CRC8 but future submission is under licence condition CRC2C.
- SLC 48 'Public Report Against Losses Strategy' - will be submitted under licence condition SLC 49, not SLC 48.
- SLC X 'Innovation Governance Submission' – this previously anticipated modification is not going ahead and should be deleted.
- CRC5A 'NIC Submission' – this is duplicated on the list and should only appear once.
- Instructions for completing this sheet line 5 - change 'licencee' to 'licensee'.
- Instructions for completing this sheet line 7 - change 'reasonable' to 'reasonable'.

3) NetDAR Template

- Previous Submissions Section – change to Past Submissions Section to align it to the DAG, Section 4.1.